

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02

OPIC-03 LAB-04 SIL-01 OMB-01 AGRE-00 /086 W

-----007696 161631Z /43

R 161335Z MAR 78

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 7120

INFO AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY TEL AVIV

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EO 11652: NA

TAGS: EFIN, ECON, LE

SUBJ: LEBANON'S PROPOSED 1978 BUDGET

SUMMARY: LEBANON'S GENERAL BUDGET FOR 1978 PROPOSES OVERALL EXPENDITURES OF LL 2.08 BILLION AND OVERALL RECEIPT OF LL 1.4 BILLION, YIELDING A DEFICIT TO BE FINANCED OF LL 680 MILLION. THE BUDGET, STILL UNDER DEBATE IN PARLIAMENT, IS PROVISIONAL. THE PRINCIPAL INCREASES OVER 1977 LEVELS ARE ALLOCATED TO DEFENSE, PUBLIC WORKS, AND REHABILITATION/INVESTMENT SPENDING. END SUMMARY.

1.1. LEBANON'S PROVISIONAL 1978 BUDGET AS APPROVED BY THE CABINET IN OCTOBER 1977 REMAINS IN PARLIAMENTARY COMMITTEE SHORT OF FINAL ADOPTION. ITS BASIC PROFILE REFLECTS THE EXIGENCIES OF POST-WAR RECOVERY. DEFENSE, PUBLIC WORKS, SHORT-TERM CAPITAL EXPENDITURES (FOR REPLACEMENT OF WAR-DAMAGED GOL PROPERTY) AND LONG-TERM INVESTMENTS (INFRASTRUCTURE REPAIR AND NATIONAL DEVELOPMENT) RECEIVE HIGHER ALLOCATIONS THAN AN 1977. OTHER SECTORS ARE

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HELD TO MODEST INCREASES, WHILE ALLOCATIONS TO THE BUDGETARY RESERVE FUND AND TO PUBLIC HEALTH DECLINE.

2. EXPENDITURES: BUDGET IS ORGANIZED UNDER THREE CHAPTERS: (I) GOL OPERATING EXPENSES, (II) SHORT-TERM CAPITAL OUTLAYS ASSOCIATED WITH GOL OPERATIONS, AND (III) LONG TERM CAPITAL INVESTMENT ASSOCIATED WITH NATIONAL DEVELOPMENT. INCREASES FOR

1978 ARE SKEWED TOWARD CHAPTERS (II) AND (III) AS GOL REPAIRS
GOVERNMENT OFFICES, REPLACES ITS VEHICLES, AND REHABILITATES
NATIONAL INFRASTRUCTURE. COMPARISON 1978 AGAINST 1977
BUDGET SHOWS FOLLOWING INCREASES:

OVERALL 1978 BUDGET: UP 24.2 PERCENT

CHAPTER I: UP 6.7 PERCENT

CHAPTER II: UP 66.2 PERCENT

CHAPTER III: UP 104.6 PERCENT

TABLE BELOW COMPARES 1978 BUDGET TO THOSE OF 1977 AND LAST PRE-WAR
YEAR, 1974, IN LEBANESE POUND TERMS (\$1 U.S. EQUALS LL 2.95).

(MILLIONS OF LL)

	1974	1977	1978
I. OPERATING BUDG.	835.6	1270.0	1378.0
DEFENSE	192.9	211.8	276.8
INTERIOR	79.8	106.7	130.3
PUBLIC WORKS	24.8	105.4	54.5
EDUCATION	223.7	276.6	354.3
HEALTH	33.9	63.8	55.9
OTHER	190.0	218.5	298.0
DEBT SERVICE	70.3	69.7	93.0
RESERVE FUND	30.2	217.5	115.2
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II. S-T CAPITAL	175.9	329.2	547.0
III. L-T CAPITAL	213.5	62.3	158.0
TOTAL OUTLAYS	1225.0	1661.5	2083.0
TOTAL RECEIPTS	1271.0	1084.0	1403.0
CJSTOMS/EXCISE	677.1	538.3	625.3
DIRECT TAX	447.6	334.3	548.4
STATE SALES	43.0	17.5	22.8
OTHER	103.2	194.0	206.5
SURPLUS/DEFICIT	0	-577.5	-680.0

NOTE: CERTAIN MINISTRIES RECEIVE BULK OF THEIR ALLOCATIONS UNDER
CHAPTERS II AND III. PUBLIC WORKS, FOR EXAMPLE, RECEIVES
(I) 54.5, (II) 213.5, AND (III) 130.5 FOR TOTAL OF LL 389.7
MILLION. HENCE PUBLIC WORKS ALONE ACCOUNTS FOR NEARLY ALL OF
LL 158.0 MILLION IN CHAPTER III (AGRICULTURE AND DEFENSE SHARE
THE REMAINING LL 27.5 MILLION). SIMILARLY, 75 PERCENT OF

FUNDS IN CHAPTER II GO TO TWO MINISTRIES, PUBLIC WORKS
(213.5 MILLION) AND DEFENSE (201.7 MILLION), TO PURCHASE
EQUIPMENT AND SUPPLIES, AND FOR CONSTRUCTION.

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10

L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02

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INFO AMEMBASSY AMMAN

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3. SUMMING ALLOCATIONS UNDER CHAPTERS I, II AND III FOR
EACH MINISTRY YIELDS COMPOSITE MINISTRY ALLOCATIONS. TABLE
BELOW EXPRESSES THESE AS PERCENTAGES OF TOTAL EXPENDITURE TO
INDICATE CHANGING GOL PRIORITIES. MAIN SHIFTS IN 1978 AFFECT
DEFENSE AND LABOR/SOCIAL AFFAIRS, WHICH INCREASE FROM 1977
LEVELS, AND ALLOCATIONS TO RESERVE FUND, WHICH DECLINE. DEFENSE,
HOWEVER, IS NOT WEIGHTED MORE HEAVILY THAN IT WAS IN PRE-WAR
YEAR 1974, WHILE EDUCATION, HEALTH AND INTERIOR ARE ALL
LOWER AS A PERCENTAGE OF BUDGET THAN IN THAT YEAR. FOLLOWING
TABLE IS ABRIDGED.

KEY MINISTRY ALLOCATIONS AS PERCENTAGES OF TOTAL OUTLAY

1974 1977 1978

TOTAL OUTLAY 100.0 100.0 100.0

DEFENSE 23.6 15.4 23.6

PUBLIC WORKS 12.8 18.6 18.7

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EDUCATION	22.1	17.6	17.6
INTERIOR	7.8	9.0	7.0
HEALTH	3.4	4.2	3.2
LABOR/SOCIAL AFFAIRS	1.7	3.1	4.3
OTHER	26.1	19.0	20.1
RESERVE FUND	2.5	13.1	5.5

4. RECEIPTS: INDIRECT TAXES ARE BACKBONE OF GOL REVENUES, CONTRIBUTING APPROXIMATELY 45 PERCENT OF TOTAL RECEIPTS IN 1978. CUSTOMS AND FUEL TAXES PROVIDE 97 PERCENT OF INDIRECT REVENUES, ILLUSTRATING IMPORTANCE TO GOL OF PORT, AIRPORT AND HIGHWAY NETWORK. DIRECT TAXES, LED BY INCOME, PROPERTY, REGISTRATION AND VEHICLE TAXES, FURNISH 39 PERCENT OF REVENUES. REMAINING 15 PERCENT COMES FROM STATE CONCESSIONS AND MISCELLANEOUS. TREND SINCE 1974 SHOWS INDIRECT TAXES ARE DIMINISHING IN IMPORTANCE (53 TO 45 PERCENT) AS A REVENUE SOURCE, AND RELIANCE ON DIRECT TAXES IS INCREASING (35 TO 39 PERCENT). DIRECT TAX INCREASES, HOWEVER, ARE PRINCIPALLY FROM CONSUMPTION, REAL PROPERTY, AND VEHICLES -- NOT FROM PERSONAL OR CORPORATE INCOME.

5. FINANCING WAR-RELATED DEBT: HAVING ENTERED 1975 WITH A RECORD OF BALANCED OR SURPLUS BUDGETS AND VIRTUALLY NO PUBLIC DEBT, GOL EMERGED FROM WAR OWING CENTRAL BANK LL 803.2 MILLION AS OF JANUARY 1977. BY DECEMBER 1977 THIS FIGURE HAD REACHED LL 980.7 MILLION. PUBLIC BORROWING IN THE FORM OF TREASURY BOND ISSUES BEGAN IN JUNE 1977. BY DECEMBER 31, GOL HAD RAISED LL 527.4 MILLION, BY MARCH 1, 1978, AN ADDITIONAL LL 470 MILLION. A REPAYMENT TO CENTRAL BANK OF LL 320.7 MILLION WAS MADE IN JANUARY 1978, REDUCING GOL BALANCE OWED AGAINST PREVIOUS ADVANCES TO PRESENT LEVEL OF LL 660 MILLION. NEW BUDGET WILL ADD DEFICIT OF LL 680 MILLION DURING 1978.

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6. OUTLOOK: DESPITE FORMIDABLE BURDEN, GOL PROSPECTS FOR REFINANCING PAST BORROWINGS PLUS THE 1978 DEFICIT APPEAR GOOD TO EXCELLENT -- ASSUMING A FAVORABLE SECURITY SITUATION IN LEBANON. LEBANESE POUND REMAINS STRONGLY BACKED BY GOLD AND FOREIGN EXCHANGE. IDLE BANK LIQUIDITY AND STEADY INFLOW OF REMITTANCES FROM WORKERS OVERSEAS PROVIDE A DEEP BORROWING POOL. RECENT PRESS ACCOUNTS REFLECT PARLIAMENTARY INCLINATION TO INCREASE, NOT DECREASE, PROJECTED 1978 DEFICIT IN THEIR DELIBERATIONS. NEVERTHELESS, BUDGETED 1978 REVENUES PRESUPPOSE CONTINUED IMPROVEMENT IN THE DOMESTIC ECONOMY. A RENEWAL OF FIGHTING COULD BE EXPECTED TO RENDER CUSTOMS AND MOST OTHER TAX

RECEIPTS UNCOLLECTABLE, IN WHICH CASE GOL WOULD FACE A REPLAY OF
1976 BUT WITH THE ADDED PENALTY OF THE DEFICITS AND EXTERNAL
OBLIGATIONS INCURRED SINCE THEN.

7. AIRGRAM TO FOLLOW WHEN FINAL BUDGET DETAILS ANNOUNCED LATER
THIS MONTH.

DECONTROL 12/31/80

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Message Attributes

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Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
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